

A STUDY ON INITIAL PUBLIC OFFERING(IPO)

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ABSTRACT

We derive the most useful underwriting method and the quantitative IPO pricing rule that this method implies in a market with informational frictions consisting of fully rational banks, issuers, and investors. In an environment friendly IPO market, an issuer's expected initial return will be determined completely by the combination of this pricing rule and issuer fundamentals. Applying this rule, we locate that we can explain the quantitative magnitude of the principal aspects of the time-series and cross-sectional variant in IPO average initial returns. We conclude that the IPO market is efficient.

Keywords: *Initial Public Offerings, Underwriters, IPO Underpricing, Efficient Markets Hypothesis*

INTRODUCTION:

An preliminary public offering (IPO), referred to simply as an “offering” or “flotation”, is when a company (called the issuer) issues frequent stock or shares to the public for the first time. They are often issued by smaller, younger agencies seeking capital to expand, but can also be done with the aid of large privately-owned companies looking to become publicly traded.

In an IPO the company may obtain the assistance of an underwriting firm, which helps it determine what kind of security to issue (common or preferred), best offering rate and time to bring it to market.

An IPO can be a unstable investment. For the individual investor it is tough to predict what the stock or shares will do on its initial day of buying and selling and in the near future since there is often little historical dat with which to analyze the company. Also, most IPOs are of organizations going through a transitory growth period, and they are therefore subject to extra uncertainty regarding their future value.

Capital market is an quintessential pre-requested for industrial and commercial development of a country. Capital market refers to the institutional arrangement which facilitates the borrowingsand lending of lengthy term fund. In capital market we can divided into two parts they are primary and secondary market. In primary market additionally known as new issue market. It represents primary market where new securities i.e. shares or bonds that have in no way been previously offered.The importance of this study is analyzing the IPO scrip's for the duration of the year 2013 to 2018. This find out about based on differences of Issue price and LTP. In order to whether the IPO's are overpriced or below priced. The investor how get the gain or loss.The study continued based on the solely 2 parameters they are Issue price and LTP. The differences of LTP & Issue price we can describe the scrip is overpriced or beneath priced. Not other parameters considered. This study shows that sector clever scrip's are overpriced or under priced.

In this learn about find the IPO how gives the benefits and given the guidelines and hints to the investor. Before selecting a company the investor should think about the company. A accurate investor should diversify and reduces his risk by investing in different securities. Primary market returns are very eye-catching in short period especially on the day of listing. But investor in IPO's should take clever decision in choosing the best company.

REVIEW OF LITERATURE:

This assignment focuses on the relatively unexplored area of primary equity markets in India. Its extensive goal is to begin the process of understanding how and why fundamental markets develop. Primary markets are where the firms raise capital through the issuance of economic securities traded after insurance. The lookup will examine the development of domestic primary market, focusing on macro monetary factors. With the abolition of Control over Capital Issues prior approval of capital issue proposals by companies has been dispensed with. The groups are required now to be fair and honest to the investing public by disclosing all material records along with the risk factors associated with their initiatives to the public. The existing practice of brochure which is circulated widely to the investors along with software form has been replaced with abridged prospectus to be attached to the New Issue application form. The phrase "market" can have different meanings but it is used most often as a catchall term to denote each primary and secondary market. Infact primary market and secondary market are both distinct phrases that refers to the market where securities are created and the one in which they are traded among investors respectively. Knowing the features of primary and secondary market is the key to understanding how stocks trade. Without them, the stock market would be a good deal harder to navigate and much less profitable. We will help you to apprehend how these markets work and how they relate to individual investors. The primary market is that part of capital markets that deals with issuance of new securities. Companies, authorities or Public sector institutions can obtain funding through the sale of new inventory or bond issue. This is typically done through a syndicate of securities dealers. The system of selling new issues to the investors is called Underwriting. In the case of new inventory issue, this sale is called an IPO (Initial public offering). Dealers earn a commission that is built into the price of the security, even though it can be found in the prospectus. The market in which investors have the first opportunity to find a newly issued security. After the first purchases, subsequent buying and selling is said to occur in secondary market. The primary market is where securities are created. It is in this market that corporations sell (float) new stock and bonds to the public for the first time. For our purposes, you can think of a primary market as being synonymous with an IPO. Simply put, an IPO takes place when a private company sells stocks to the public for the first time.

OBJECTIVES OF THE STUDY:

1. The goal of doing this project is mainly to make a study of trends in predominant market from 2014-2018 with special reference to LTP (Last Traded Price) and Issue Price.
2. To take a look at the difference between LTP and Issue Price of various scraps in different sectors.
3. To verify whether the Issue Price are over priced or under priced based on difference between LTP and Issue Price
4. To study gain or loss to the investor based on the above study.

RESEARCH METHODOLOGY

The records collection methods include both essential and secondary collection methods.

Primary Data: This approach includes the data collected from the personal interplay with authorized members of ICICI BANK LTD.

Secondary Data: The secondary facts collection method includes The lecturers delivered by the superintendents of respective departments. The brochures and cloth provided by ICICI BANK LTD. The data collected from the magazines of the NSE, financial times, NSE website, etc Various books relating to the investments, capital market and other related topics.

HYPOTHESIS

- 1) **TABULATION:** A Table is a systematic association of statistical data in rows and columns. Rows are horizontal arrangements whereas columns are vertical. Tabulation is a systematic presentation of data in a form appropriate for analysis and interpretation.

The tables used are as follows

- a) **One way table:** It offers only one characteristic and hence in answering one or more unbiased questions with regard to those characteristics.
 - b) **Two-way table:** It consists of sub divisions of a total and is able to answer two mutually structured questions.
- 2) **DIAGRAMETIC AND GRAPHICAL REPRESENTATION OF DATA:** A photo is worth a thousand words. The impression created by a picture has a whole lot greater impact than any amount of detailed explanation. Statistical facts can be effectively presented in the form of diagrams and graphs. Graphs and Diagrams make complex records simple and easily understandable. They help to compare associated data and bring out subtle data with fantastic clarity.

The Diagram used are as follows:

- a) **Bar diagrams:** Bar diagrams are used specially for categorical data or series. They consist of the group of equi distant rectangles, one for every group or category of data in which the values of magnitudes are represented by size or height of rectangles.
- b) **Sample Bar diagram:** It is used of comparative find out about of two or more aspects of a single variable or single category of data.

THEORETICAL CONCEPTS:

The first formal idea on IPO was developed by Zingales published in the Review of Economic Studies in 1995. ... saying that via going public facilitate the acquisition of their company for a higher value than they would get from an outright sale.

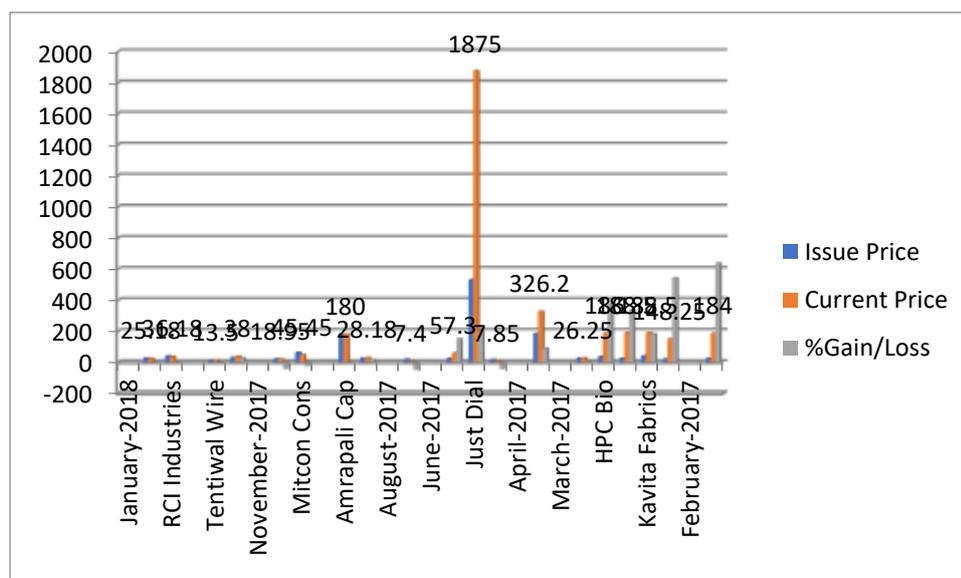
DATA ANALYSIS AND INTERPRETATION

IPO Issues in 2017-18

Equity	Issue Price	Current Price	%Gain/Loss
January-2018			
Suyog Tele	25.00	25.18	0.60

RCI Industries	40.00	36.18	-9.63
December-2017			
Tentiwal Wire	14.00	13.50	-13.54
Captain Poly	30.00	38.00	26.67
November-2017			
Stellar Capital	20.00	18.95	-45.25
Mitcon Cons	61.00	45.45	-25.49
October-2017			
Amrapali Cap	180.00	180.00	0.00
VCU Data Mgmt	25.00	28.18	14.60
August-2017			
Silverpoint	18.00	7.40	-50.67
June-2017			
Edynamics Sol	25.00	57.30	149.20
Just Dial	530.00	1875.00	197.18
Onesource Tech	16.00	7.85	-43.93
April-2017			
Repc Home	182.00	326.20	89.65
March-2017			

Bothra Metals	25.00	26.25	5.00
HPC Bio	35.00	186.00	374.29
Channel Nine	25.00	188.50	334.00
Kavita Fabrics	40.00	188.50	181.25
Sunstar Realty	20.00	148.25	541.25
February-2017			
Esteem Bio	25.00	184.00	636.00



INTERPRETATION:

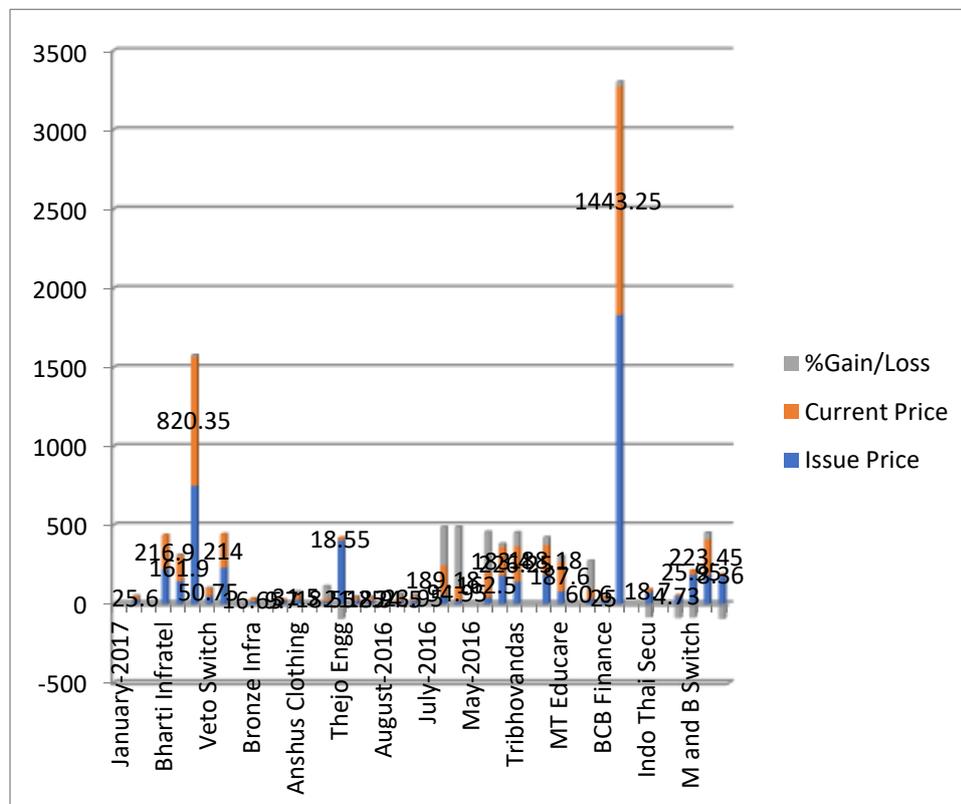
The above desk projects the difference between LTP and Issue price of different corporations in the current year and the positions in the company’s are dependent on the market value only.

Based on LTP and Issue fee differences we can conclude that the investor who invested in Amrapali cap and Just dial got highest benefit respectively.

IPO Issues in 2016-2017

Equity	Issue Price	Current Price	%Gain/Loss
January-2017			
Eco Friendly	25.00	25.60	2.40
December-2016			
Bharti Infratel	220.00	216.90	-4.59
PC Jeweller	145.00	161.90	5.13
CARE	750.00	820.35	9.38
Veto Switch	50.00	50.75	1.50
Tara Jewels	230.00	214.00	-7.83
November-2016			
Bronze Infra	18.00	16.65	-2.33
October-2016			
RCL Retail	18.00	9.70	-3.00
Anshus Clothing	27.00	31.50	18.67
September-2016			
Comfort Comm	18.00	18.55	75.50
Thejo Engg	402.00	18.55	-95.63
SRG Housing Fin	20.00	21.25	6.25
Jointeca Edu	18.00	18.90	6.00
August-2016			
Jupiter Infomed	20.00	24.50	22.50
Sangam Advisors	22.00	23.95	8.86
July-2016			
VKS Projects	55.00	189.18	243.82
Max Alert Syste	20.00	94.95	374.75
May-2016			
Monarch Health	40.00	162.50	256.25
Speciality Rest	180.00	183.40	18.60
Tribhovandas	140.00	226.25	88.54

April-2016			
NBCC	186.00	188.18	49.20
MT Educare	80.00	187.60	34.50
March-2016			
Olympic Cards	30.00	60.60	182.00
BCB Finance	25.00	25.00	0.00
MCX India	1832.00	1443.25	30.18
November-2016			
Indo Thai Secu	74.00	18.70	-85.54
October-2016			
Vaswani Ind	49.00	4.73	-90.35
M and B Switch	186.00	25.95	-86.09
Flexituff Inter	185.00	223.45	44.18
Taksheel Solut	180.00	8.36	-94.43



INTERPRETATION:

The above desk projects the difference between LTP and Issue price of different organizations in the current year and the positions in the companies are dependent on the market value only.

Based on LTP and Issue rate differences we can conclude that the investor who invested in Decor and Capital got highest benefit respectively.

FINDINGS:

- 1)The IPO returns are extra when comparing with nifty returns for the year 2013 to 2016.
- 2) Just Dial, Edu comp Solution, Décor and Capital has given highest benefit to the investor.
- 3)Sun TV Ltd has given best negative benefit to the investor.
- 4)This learn about reveals IPO given 81% positive result and 29% negative end result or benefit to investor.
- 5)Investors more crazy about the new issues or IPO.

SUGGESTIONS:

- 1) The returns of IPO's are greater when compare to benchmark portfolio of Nifty. So an investor can invest in IPO's for better returns.
- 2) There is a probability of list a stock returns in positive is 81% and negative is 29%.
- 3) Investor need to boost a long term investment mindset instead than short term investment to get more returns or for accomplishing financial goals
- 4)A true investor should diversifies and reduces his risk by investing in different securities which contained distinctive risks and returns in order to achieve his goals
- 5) An easy solution to investor is to make investments in to mutual fund schemes through a systematic investment plan (sip) the mutual fund gives you a nicely diversified, professionally managed portfolio at low cost
- 6) Investor need to aware of new information, which reflects wider changes in share prices

CONCLUSION

- 1)It can be determined that it is safe for the general public to invest in different sectors of fundamental market in present than in the past because SEBI has been introduced and it controls the operations and working of new trouble market
- 2)Primary market returns are very captivating in short period especially on the day of listing but investors in IPO's ought take wise decision in choosing the best company.
- 3) From the standard study it can be concluded that the highest positive difference between issue rate and LTP is icici bank ltd. scrip
- 4) The conclusion from the learn about is that the highest negative difference between Issue price and LTP is Sun TV Ltd scrip.
- 5) The find out about reveals that the scrip's of Textiles and Media industries have highest negative difference between LTP and Issue price.
- 6) The learn about shows that the scrip's of Bank and Power or Energy industries have highest positive difference between LTP and Issue price.

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